

NSC Meeting on Poland and IMF
28 August 1984

The Political Situation

- Since the imposition of tight martial law Jaruzelski's top priority has been and remains political control. At the same time he wants to be seen as moving toward the re-creation of a dialogue with society so that the West would remove the sanctions it imposed in 1981.
- To meet those goals he has re-created the trappings of public participation in decisionmaking, while at the same time enacting legislation and taking repressive action to prevent a genuine national dialogue from developing.
- Thus, when formally lifting martial law in July 1983 he enacted many of its features into legislation so that the tools of repression remain available to him.
- Some of these new laws have been used to arrest the people whom Jaruzelski is now freeing and would prove the basis for new imprisonments on political charges. Thus:
 - Anyone organizing or conducting an illegal protest action is liable to three years imprisonment.
 - Police have greater latitude to use weapons and to search citizens in vehicles.
 - Anyone participating in an organization which was dissolved or refused legal status is liable to three years imprisonment.
 - Anyone posting anti-State handbills, posters or drawings is subject to fines or imprisonment.
- Jaruzelski's liberation of prisoners last month has been carried out in manner reminiscent of the amnesty which Jaruzelski proclaimed in July 1983. At that time the number of political prisoners went down to about 50, but quickly climbed again to over 500 because of the new laws and the conditions which accompanied the amnesty.
- According to Polish government figures the number of political prisoners in July 1984 stood at 652. Over the weekend the government announced that it has freed 630 but that 22 were still being held on charges not affected by the amnesty. Cardinal Glemp has also stated publicly that 630 have been freed. But, so far, we have no church or other independent assessment of the exact numbers remaining in jail.
- The 22 still being held presumably includes the prominent Solidarity leader Lis and an associate (Mierzejewski) who were arrested some three months ago and may be charged with treason--a charge that would exempt

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them from the amnesty. According to the government, the charges against the rest of the 22 are criminal in nature and are therefore not covered by the amnesty. But, according to our Embassy, the government is still talking to the church at least about Lis and his associate.

- The conditions accompanying the new amnesty specify that any freed prisoner engaging in so-called illegal political activity from now until December 1986 can be rearrested and tried on both the old charges against them and new ones. That could mean anything critical of government sanctioned activity. Under these conditions rearrests and new arrests are likely.
- In sum, Mr. President, Jaruzelski has eased repression somewhat. But he has shown no intention of initiating a dialogue with society.

The Financial Situation

- Poland has made little progress on developing a feasible plan to manage its debt problem since its first request for debt relief in 1981.
 - Its total debt has grown from \$25 billion to \$27 billion.
 - Total payments still to be covered in 1984 are about \$15 billion, including the more than \$10 billion of arrears which had accumulated by the end of 1983.
 - Its small trade surplus and minimal private new credits give it a repayment capacity of \$2 billion this year.
 - If Poland's IMF application is revised it would probably take a year to complete negotiations.
 - Once a member, Poland could draw around \$300-350 million by late 1985 and may find it easier to get new private credits.
 - It would also seek a three-year stand-by credit of \$3 to \$3.5 billion but its prospects for getting it are clouded.
 - To get the maximum amount from IMF, it would have to accept tough austerity measures that it has rejected thus far.
 - Most important IMF negotiators will be able to encourage but not compel Warsaw to impose economic reforms. The IMF has had scant success in pushing Romania toward reform but has been able to work smoothly with Hungary where the initiative for change has come from within.

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- Overall Poland's Financial prospects are poor:
- Its debt burden will remain unmanageable for many years.
 - Its exports prospects are dim because of the Polish economy's lack of competitiveness.
 - Its inability to pay all interest means that its debt will grow beyond the current \$27 billion.
 - Only a comprehensive financial and reform package that embraced much more than IMF credits presents any hope for leading Poland out of its economic morass.
 - The prospects of Jaruzelski accepting such a package are poor.

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